

By Haley Barbour
Governor

Almost two decades ago, hospitals in Mississippi realized the state was leaving Medicaid money on the table because the state couldn't afford to put up the matching money needed to draw it down. The Mississippi Hospital Association (MHA) wrote the law that was passed by the Legislature and resulted in a \$90 million tax paid to cover the state match.

It was good policy and a real money-maker for hospitals: For every dollar they put up, they got back three in Medicaid money.

What happened? Four years ago, the federal government changed the rules, and said our method of paying the hospital tax was no longer acceptable because only public hospitals paid the tax; private and non-profit hospitals paid nothing, but still got Medicaid returns. Hospitals stopped paying the \$90 million they had paid for 13 years. Although the hospitals no longer put up the money they still enjoyed the benefits of Medicaid.

The \$90 million still got paid, of course – by taxpayers.

In other words, hospitals took \$90 million a year out of taxpayers' pockets and put it in theirs. And, if you've had the misfortune of being hospitalized in the last four years, you might have noticed they didn't pass any savings on to patients. For four years, money that could have paved roads, paid teachers or put more troopers on the highway instead covered the hospitals' portion of the Medicaid matching funds.

The hospital association has spent a lot of time and money trying to mischaracterize my Medicaid funding proposal as a "tax on sick people." Actually, it's a tax that allows hospitals to get back more than they pay in.

Now, as the Legislature prepares to resume its 2009 Regular Session on Tuesday, there are three inescapable facts in the debate over Medicaid:

- Medicaid needs a fair, permanent, sustainable funding solution; without it, either Medicaid or other state agencies face severe spending cuts.
- This budget isn't business as usual, and anyone who thinks so is badly mistaken. Even with federal stimulus money, there is not

enough revenue to pay for everything everybody wants; and the revenue problem will likely get worse for the next year or two.

- The Mississippi Hospital Association wants the taxpayers of Mississippi to continue shouldering a \$90 million tax break for its members, most of which already make big profits off Medicaid.

For years now, I have proposed ways to reinstate the hospital tax and put Medicaid funding on a stable foundation. A year ago almost to the day, prior to the stimulus package, MHA, the Division of Medicaid, and the Governor's office had agreed to a compromise under which hospitals would pay the whole \$90 million assessment.

The compromise would have filled the immediate \$90 million gap, provided stable funding, and maintained the fiscal integrity of the Medicaid program in a way that is fair to hospitals and other providers, beneficiaries and taxpayers. The bill passed the Senate on an overwhelming, bipartisan 41-to-7 vote; unfortunately, the House refused to take it up.

Now we've come full circle to a revised version of the hospital reimbursement method. The major difference is that private and non-profit hospitals would join public hospitals in paying the tax. All hospitals would pay the tax and all hospitals would share the benefits.

There's been a lot of talk about the federal stimulus package, but there is not enough federal stimulus money for Medicaid to keep the program solvent after FY 2010, the coming fiscal year.

I have proposed prudent use of the stimulus money and carrying forward some funding Medicaid will need in FY 2011 to remain viable. But, even with my proposal, Medicaid still will have a deficit of \$97 million in FY 2011. Without the carry-forward and reinstating the hospital assessment, the shortfall will grow to \$280 million.

The MHA doesn't talk much about the fact that most Mississippi's hospitals are not-for-profits that pay no income, property, or sales taxes, yet reap huge profits from Medicaid. In FY 2008, for example, all Mississippi hospitals paid in \$107 million and were reimbursed \$1.26 billion from Medicaid.

The question we have to ask is, how much more do hospitals want?

Without reinstating the \$90 million assessment, the hospital association and its legislative allies, mostly in the House, are about to

create a Medicaid funding shortfall, deep provider cuts, or cuts to other state agencies of epic proportions – all to give hospitals a \$90 million tax break. It is unfair and bad policy.

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